

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2765

REVIEW REPORT
OF
SECRETARY OF STATE
STATE OF INDIANA
June 1, 2003 to May 31, 2006



FILED
10/18/2006

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Agency Officials.....	2
Independent Accountant's Report	3
Review Comments:	
Attendance Reports	4
Contract Approvals	4
Fixed Asset Inventory	4
SDO Fund Reconciliations.....	5
Exit Conference	6
Official Response	7-12

AGENCY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Secretary of State	Todd Rokita	01-01-03 to 12-31-06
Co-Directors, Election Division	J. Bradley King	02-18-02 to 12-31-06
	Kristi Robertson	11-20-02 to 12-31-06



STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2765

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE SECRETARY OF STATE

We have reviewed the receipts, disbursements, and assets of the Secretary of State for the period of June 1, 2003 to May 31, 2006. The Secretary of State's management is responsible for the receipts, disbursements, and assets.

Our review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on the receipts, disbursements, and assets. Accordingly, we do not express such an opinion.

Financial transactions of this office are included in the scope of our audits of the State of Indiana as reflected in the Indiana Comprehensive Annual Financial Reports.

Based on our review, nothing came to our attention that caused us to believe that the receipts, disbursements, and assets of the Secretary of State are not in all material respects in conformity with the criteria set forth in the Accounting and Uniform Compliance Guidelines Manual for State Agencies, and applicable laws and regulations except as stated in the review comments.

STATE BOARD OF ACCOUNTS

August 10, 2006

SECRETARY OF STATE
REVIEW RESULTS AND COMMENTS
MAY 31, 2006

ATTENDANCE REPORTS

We observed that employee attendance reports for the Secretary of State's office and the Election Division were frequently signed and dated prior to the last day worked. We also found several attendance reports that did not have the date when they were signed by employees and/or approved by the supervisors. In addition, supervisors preapproved attendance reports by signing in advance of employees.

Employee attendance reports should not be signed, dated or approved prior to the last day worked in a pay period. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 9)

After being completed by the employee, the attendance report should be reviewed, signed, and dated by the immediate supervisor of the employee, or by another designated individual who has knowledge of the employee's attendance. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 9)

CONTRACT APPROVALS

The Secretary of State executed contracts to vendors for professional services. These contracts were in effect prior to approval by the proper officials. Internal controls are weakened when a contract is put into effect before proper approval.

Indiana Code 4-13-2-14.1 and 14.2 require that a contract to which a state agency is a party must be properly approved and in writing.

FIXED ASSET INVENTORY

As stated in our prior report (B21633), the fixed asset inventories of the Secretary of State Administration and the Election Division are not complete as to additions and retirements and assets have not been consistently tagged upon receipt. Additionally, an annual physical inventory of assets owned has not been conducted.

Each state agency is required to report to the Auditor of State all additions and retirements of assets with a cost of \$20,000 or more. Assets costing more than \$500 but less than \$20,000 must be maintained on an asset control system at the agency. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 10)

Assets at the minimum level of \$500 must be tagged. Assets should be tagged upon receipt. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 10)

Once a year, after receiving a Fixed Asset Master Listing, a physical inventory is to be taken and compared to the Master Listing and the agency's listing of assets from its asset control system. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 10)

SECRETARY OF STATE
REVIEW RESULTS AND COMMENTS
MAY 31, 2006
(Continued)

SDO FUND RECONCILIATIONS

As stated in our prior report (B21633), the Secretary of State and the Election Division have not performed reconciliations of its Special Disbursing Officer (SDO) advances.

Two reconciliations must be performed for the SDO fund each month. The bank statement for the checking account must be reconciled to the check register. Also, the check register must be balanced to the total SDO advance. These reconciliations must be formally documented. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 7)

At all times, the unreimbursed disbursements plus any advances to office cash or subsidiary checking accounts plus the SDO checking account balance must equal the local purchase advance. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 7)

The Special Disbursing Officer is accountable at all times for all sums advanced. The SDO officer may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 7)

SECRETARY OF STATE
EXIT CONFERENCE

The contents of this report were discussed on September 18, 2006, with Todd Rokita, Secretary of State; and Paul Okeson, Chief Deputy Secretary of State. The contents of this report were also discussed on September 7, 2006, with J. Bradley King and Kristi Robertson, Co-Directors of the Election Division. The official response has been made a part of this report and may be found on pages 7 through 12.

SECRETARY OF STATE
STATE OF INDIANA



Todd Rokita
Secretary of State

September 26, 2006

Mr. Michael Hoose
State Board of Accounts
302 W. Washington St. Room E418
Indianapolis, IN 46204

Re: 2006 Audit - Official Response to Review Results and Comments

Dear Mr. Hoose:

On behalf of Secretary of State Rokita, I would like to thank you for the professional and thorough audit conducted by Jaspal Singh over the past few weeks. While our office is continually monitoring, reviewing and updating our operating procedures, we welcome feedback and advice from the perspective of accounting professionals independent of our agency.

I would note as a point of clarification that the Secretary of State, by law, does not exercise any authority or control over the Election Division, in particular with respect to staffing, attendance reports and payroll procedures, inventory or accounting for fixed assets or management of its SDO fund. Pursuant to Indiana Code Title 3, management of the Election Division is the provenience of its appointed Co-Directors, and the Indiana Election Commission.

With respect to the Secretary of State's office only, I would like to respond to each of the comments in the 2006 audit report as follows:

Attendance Reports

For the purpose of facilitating the timely processing of payroll reports for transmittal to the state Auditor, some employees and immediate supervisors have on occasion, signed and dated Employee Attendance Reports (A-4) one or two days prior to Saturday ending of a pay period. Independent of, and in addition to, the completion of Employee Attendance Reports, employees of the Secretary of State Executive office, Business Services Division and Securities Division all sign in and out on *daily attendance logs*, which are monitored by immediate supervisors. At all times immediate supervisors are responsible for verification of employee attendance. As such, the Agency does not believe that there have been any occurrences where a misdated Employee Attendance Report has resulted in overpayment to an employee.

Nonetheless, it is the policy of the Office of the Secretary of State, including its operating divisions and all immediate supervisors, to comply faithfully and completely with the payroll and personnel transaction procedures detailed in Chapter 9 of the Accounting and Uniform Compliance Guidelines Manual for State Agencies (INUCG). On September 22, 2006 a memorandum was circulated to all Agency Divisions and immediate supervisors re-educating them to the specific requirement that Employee Attendance Reports *are not to be completed, dated, signed or authorized by an immediate supervisor prior to the end of a pay period*. Additionally acceptance of Employee Attendance Reports and processing of payroll will not begin until the Monday following Saturday ending of pay periods. The Deputy Secretary of State will monitor compliance with this procedure.

Contract Approvals

It is the policy of the current administration of the Secretary of State's office to comply faithfully and completely with the requirements of INUCG Chapter 14 as well as Indiana Code 4-13-2-14.1. It appears that to a limited extent one or more vendors may have provided professional services to the Agency after successful completion of the Agency's professional services vendor selection process, but before a contract has been approved and executed by all required agencies of the state. To the extent that this may have occurred, it was most likely due to an urgent, exigent need for outside professional assistance with government business. At no time has the Agency or state been burdened with any un-contracted for obligations or liabilities. However, in order to avoid even the appearance of impropriety, the Agency's General Counsel has been tasked with monitoring compliance with INUCG Chapter 14 and all relevant statutes with respect to the Agency's professional services contracts. However, a simple reality exists that from time to time a bureaucratic signature approval process cannot delay the people's business. We stand by our practice, where appropriate, to meet the Constitutional and Statutory needs of Hoosiers.

Fixed Asset Inventory

The Agency acknowledges that due to Executive level staff changes at the end of the '06 fiscal year the fixed asset inventory was not completed within the time frame specified in INUCG Chapter 10. As of this date the Agency fixed asset inventory has been completed, a copy of which is attached to this letter. Effective fiscal year 2007, the Agency has adopted a policy of updating its physical asset inventory and reviewing reporting requirements within 30 days of the end of each calendar year as well as within 30 days of the end of each fiscal year. The Deputy Secretary of State will assign to the Director of Operations and monitor compliance with this policy.

SDO Fund Reconciliation

It is the policy of the current administration of the Secretary of State's office to comply faithfully and completely with all SDO fund administration and reporting requirements of INUCG Chapter 7. As the failure of Agency accounting staff to timely complete *two* SDO fund reconciliation reports per month has been noted by the State Board of Accounts in the past, the Agency has re-

educated its accounting staff and SDO - that the completion of twice monthly SDO fund reconciliations is a ***mandatory procedure***. The Director of Operations has been tasked with performing and documenting the SDO fund reconciliation no later than the close of business on the first and third Friday of each month. The SDO will immediately report any discrepancies observed in the SDO fund directly to the Deputy Secretary of State. Initially, the Deputy Secretary of State will monitor compliance with this policy to ensure good formation of habit.

Again, the Secretary of State's office appreciates your efforts and believes information contained in your report will assist us as we strive to provide the highest possible levels of government services and accountability at the lowest possible cost to Indiana taxpayers. Please contact me directly if you have any questions or require additional information. Thank you.

Very truly yours,



Paul Okeson

Deputy Secretary of State/Chief of Staff
Indiana Secretary of State - Todd Rokita
Direct Tel: (317) 232-6584



STATE OF INDIANA

TODD ROKITA, Secretary of State

J. Bradley King, Co-Director
Kristi Robertson, Co-Director

ELECTION DIVISION

302 WEST WASHINGTON STREET, ROOM E204
INDIANAPOLIS, INDIANA 46204-2743
Telephone: (317) 232-3939
Fax: (317) 233-6793

To the State Board of Accounts:

Thank you for the opportunity to submit a written response to the Review Results and Comments prepared by you for the Secretary of State's office. We also appreciated the opportunity to meet with a representative from your office to discuss these comments, and found that discussion both friendly and helpful.

We would begin by noting that notwithstanding its statutory designation as the "Election Division of the Secretary of State", the Election Division is in fact a separate administrative agency from the Office of Secretary of State. The agency is headed by two Co-Directors appointed by the Governor, upon recommendation of the two major political party state chairs. As Co-Directors, we are ultimately responsible for the day to day administration of the Division, not the Secretary of State.

With regard to the specific points regarding the Election Division noted in the Review Results and Comments:

(1) Attendance Reports: As the co-directors of the Election Division, we are responsible for reviewing all Division employee attendance reports and approving them as the supervisors of the Election Division. We found the information detailed in your Review Results and Comments helpful in clarifying the requirements for dating and signing the attendance reports both by employees and supervisors. We will be reviewing employee attendance reports carefully in the future to ensure that the reports are signed and dated by the employees, not signed or dated by employees prior to the last day worked, and signed and dated as approved by the co-directors. Following the preparation of this letter, we will send a written communication to all staff reminding them of the requirements for dating and signing their attendance reports.

(2) Contract Approvals: Review and Results Comments only applicable to Secretary of State's Office and not the Election Division.

(3) Fixed Asset Inventory: Following preparation of this letter, we will direct staff to develop a spreadsheet that tracks the fixed asset inventories of the Election Division to account for all additions and retirements and assets. This spreadsheet will track the information as required by Chapter 10 of the *Accounting and Uniform Compliance Guidelines Manual for State Agencies*. We will also direct staff to consistently tag fixed assets upon receipt, and at the end of 2006 and each following calendar year, to conduct a physical inventory of these assets. The inventory will list each asset's tag number, serial number, cost, and date of purchase. We will also direct staff to obtain the necessary form from the State Auditor's office to report all additions and retirements of assets with a cost of \$20,000 or more.

(4) SDO Fund Reconciliations. We will direct staff to review Chapter 7 of the *Accounting and Uniform Compliance Guidelines Manual for State Agencies* to ensure compliance with the requirements for managing the SDO fund and making appropriate reconciliations. We will also direct staff to perform two reconciliations for the SDO fund each month and formally document these reconciliations. Currently, the Election Division is rarely using the SDO fund to make payments for Division expenses and is making further arrangements to discontinue almost all use of the SDO fund.

Thank you again for the opportunity to receive the information, and for your assistance in improving the efficiency of the work of our office.

Sincerely,

J. Bradley King
Co-Director

Kristi Robertson
Co-Director



Indiana Secretary of State
Todd Rokita

Memo

To: Secretary of State Executive Staff
From: John Schaefer, Interim Director of Operations *JS*
CC: All applicable parties
Date: 09/29/06
Re: Asset policy

The Secretary of State Asset Inventory system is based on several factors which facilitate the need for an ID tag.

- Cost – Any item that has a value or cost over \$500.00 regardless of size or liquidity will be tagged and added to the Secretary of State Master Inventory List.
- Liquidity – Items that have are considered easily resold through unethical means. More specifically technology related items such as PCs and peripherals.
- Accessibility – Items that are small in size or easily concealed. It should be assumed that the smaller the item, counter relative to it's value, increases it's vulnerability.

I've included the current Agency Master List of assets that are currently assigned identification tags for the Office of the Indiana Secretary of State Todd Rokita



Indiana Secretary of State
Todd Rokita

Memo

To: Office of the Indiana State Auditor Connie Nass
From: John Schaefer, Interim Director of Operations *JS.*
CC: All applicable parties
Date: 09/29/06
Re: Fixed Assets

After conducting an agency audit of all fixed assets in accordance with IC 4-13-1-20 and IC 4-20.5-6-3; I am reporting 'no action' in regards to any new additions or removals of assets in the State Inventory System.

In our thorough audit, no purchases have qualified addition by a purchase price or fair market value of \$5,000.00 or more. All current assets that have previously qualified are still accounted for and functional.


Interim Director of Operations

Indiana Secretary of State Todd Rokita


Chief of Staff/Deputy Secretary of State

Indiana Secretary of State Todd Rokita